



**2020-21 BUDGET AGREEMENT
JUNE 23, 2020**

TO: CSAC Board of Directors
County Administrative Officers
CSAC Corporate Partners

FROM: Graham Knaus, CSAC Executive Director
Darby Kernan, CSAC Deputy Executive Director, Legislative Services

RE: **Governor and Legislature Reach Budget Agreement**

Yesterday, the Governor and Legislature announced an agreement on the 2020-21 Budget. Details of the final agreement trickled in throughout the day and then budget bill and trailer bill language started to become available Monday evening. Due to the 72 hour print rule, the Legislature will not be able to vote on the main budget bill until Thursday evening at the earliest.

This update provides a high level overview of the budget framework and the most significant state budget issues for counties. CSAC will continue to provide additional updates as further details become available. The main budget bill is Assembly Bill 89/Senate Bill 121. In addition, there are numerous budget trailer bills that the Legislature will also be considering. These trailer bills enact the various policy changes that coincide with the funding in the budget bill and are listed in a table at the end of this update.

The overall budget framework represents a compromise between the Governor's May Revision and the Legislature's budget that was adopted on June 15. The Budget Act utilizes the Governor's approach to the

federal trigger, meaning that certain cuts will occur and then be restored at a later date if the federal government provides sufficient COVID-19 relief funding. The Legislature was successful in reducing the amount of cuts tied to this federal trigger and preventing certain cuts to programs for older adults and other vulnerable populations from occurring at all.

Most significantly for counties, the final agreement includes \$1 billion for the safety net services counties provide on behalf of the state. The inclusion of this funding in the final agreement would not have been possible without the extraordinary and tireless advocacy of counties to communicate how critical this funding is to prevent devastating cuts to services for vulnerable individuals.

Preserving the Safety Net by Backfilling Realignment

The Budget Act provides \$1 billion to counties for safety net services as a Realignment backfill in 2020-21. Of this total, \$750 million is provided directly and \$250 million is dependent upon the state receiving additional federal COVID-19 relief. The safety net funding is to be used for health and human services programs, entitlement programs, and programs that serve vulnerable populations. The final outcome represents an improvement over the May Revision, which did not include any backfill funding, and the Legislature's version of the backfill, which also had \$1 billion total, but made \$600 million dependent upon federal funding.

The language in the Budget Act does not specify how the funding would be divided up among the various Realignment subaccounts or counties. Rather, the Department of Finance is required to consult with CSAC to develop the countywide allocation schedule for this funding. CSAC will immediately engage with the Department of Finance to ensure the initial \$750 million in backfill funding can get out to counties as quickly as possible.

The remaining \$250 million is dependent upon the federal trigger. By October 15, 2020, the Director of the Department of Finance must determine if the federal government will be providing an additional \$14 billion in COVID-19 relief. If that occurs, counties will receive the additional \$250 million and all of the other funding or cut reversals that are tied to the federal trigger will also occur. If an amount less than \$14 billion, but greater than \$2 billion, is provided, then each of the trigger items will be adjusted proportionally.

Finally, the Budget Act indicates that this funding is contingent upon compliance with the state's stay-at-home order, Executive Orders, and Department of Public Health orders and guidance issued in response to the COVID-19 emergency. Local governments are required to certify compliance with the Department of Finance similar to the requirements described below for funding from the Coronavirus Relief Fund.

This safety net funding has been the top budget priority for CSAC, county affiliates, and counties, and today, CSAC distributed a [support letter](#) in partnership with UCC and RCRC to urge final passage. Through member meetings, action alerts, testimony, and press events, counties have made a strong case on the need for this funding and successfully ensured inclusion in the final budget. CSAC will remain in close contact with the Legislature and Administration to gather additional details, move forward on the allocation schedule, and keep counties informed.

Election Funding

The Budget Act includes just over \$100 million for the increased costs of the November election. The Governor has signed two executive orders, one of which requires counties to mail ballots to all active registered voters and the other of which allows counties to establish fewer in-person polling places, but only if they have those locations open for three days of early voting, along with other requirements to increase access. Last week Governor Newsom signed [AB 860 \(Berman\)](#), which would largely codify the [Executive Order](#) requiring county elections officials to mail ballots to all active registered voters.

The increased cost of these requirements is estimated at about \$130 million, so the funding in the budget should go a long way toward meeting the need. It marks the first time the state has provided funding for election operations in about a decade, though they have provided much-needed funds in recent years to replace voting equipment.

Coronavirus Relief Fund

The budget includes \$1.289 billion in funding for counties to help pay for the costs of responding to the COVID-19 pandemic, including both the direct costs of confronting the health effects and second-level economic effects. The funds were provided by Congress in the CARES Act through the Coronavirus Relief Fund and must be utilized in accordance with U.S. Department of Treasury guidance. Separate from the county allocation, cities will receive \$500 million from the Coronavirus Relief Fund. The funds will be distributed per capita, though taking into account that counties and cities with a population greater than 500,000 received direct allocations from the federal government. Funding to local governments is contingent upon compliance with the state's stay-at-home order, Executive Orders, and Department of Public Health orders and guidance issued in response to the COVID-19 emergency. Local governments are required to certify compliance with the Department of Finance.

Homelessness

The budget bills ([AB 89](#) and [SB 121](#)) and housing trailer bills ([AB 83](#) and [SB 110](#)) include several key investments and provisions related to reducing homelessness in California. While some of the proposals were originally introduced by the Governor, and others added as Legislative augmentations, combined

they demonstrate a continued, shared value in prioritizing homeless response efforts even during tough economic times. These proposals include:

- \$550 million federal funds (Coronavirus Relief Fund) to be administered by the Department of Housing and Community Development (HCD) to support housing for individuals and families who are experiencing homelessness or who are at risk of homelessness due to the COVID-19 pandemic. More specifically, these funds will be prioritized for counties, cities, and public entities to build off Project Roomkey through acquiring or rehabilitating motels, hotels, hostels, and other sites and assets as specified.
- \$50 million General Fund to be administered by HCD to be used for the acquisition, conversion, rehabilitation, and operating subsidies for hotels, motels, and other properties to provide housing for individuals and families who are experiencing homelessness or who are at risk of homelessness. Our understanding is that these funds will be prioritized to support purchases made with the previously mentioned \$550 million.
- \$300 million General Fund to be allocated by the Homeless Coordinating and Financing Council consistent with the existing formula and uses of Homeless Housing Assistance Prevention (HHAP) program. This would result in \$80 million directly to counties and \$90 million passing through Continuums of Care.
- The housing trailer bill also includes CEQA exemptions for Roomkey projects under specified circumstances and requires that any Coronavirus Relief Fund Roomkey project shall be deemed consistent and in conformity with any applicable local plan, standard, or requirement, and allowed as a permitted use, within the zone in which the structure is located, and shall not be subject to a conditional use permit, discretionary permit, or to any other discretionary reviews or approvals.

Division of Juvenile Justice Realignment

The structure surrounding the closure, or realignment, of the state's Division of Juvenile Justice (DJJ) is not included in the Public Safety trailer bills ([AB 88](#) and [SB 118](#)). Since the release of the Governor's original May Revision proposal, it has been clear that closing DJJ is a priority for the Administration and the Legislature. Therefore, CSAC and affiliate organizations have worked to identify improvements and structural changes needed if the proposal were to move forward. The absence of a final agreement suggests the Governor and Legislature will need more time to agree on this framework. We expect conversation will continue in the coming weeks and we will provide updates as appropriate.

Budget Trailer Bills

Below is a list of the current trailer bills. CSAC will provide further details as additional information becomes available and the Legislature moves forward with voting on these bills.

Trailer Bills		Topic/Summary
<u>AB 75</u>	<u>SB 88</u>	Budget Act of 2019: augmentation.
<u>AB 77</u>	<u>SB 98</u>	Education finance: education omnibus budget trailer bill.
<u>AB 78</u>	<u>SB 100</u>	Bergeson-Peace Infrastructure and Economic Development Bank.
<u>AB 79</u>	<u>SB 101</u>	Human Services omnibus.
<u>AB 80</u>	<u>SB 102</u>	Health omnibus
<u>AB 81</u>	<u>SB 107</u>	Public health funding: health facilities and services.
<u>AB 82</u>	<u>SB 108</u>	State Government.
<u>AB 83</u>	<u>SB 110</u>	Housing.
<u>AB 84</u>	<u>SB 111</u>	Public employment and retirement.
<u>AB 88</u>	<u>SB 118</u>	Public Safety.
<u>AB 89</u>	<u>SB 121</u>	2020 Budget Act Amendment
<u>AB 90</u>	<u>SB 122</u>	Transportation.
<u>AB 92</u>	<u>SB 123</u>	Public resources: omnibus trailer bill.
<u>AB 93</u>	<u>SB 124</u>	Personal income taxes: earned income tax credit: young child tax credit: federal individual taxpayer identification number.
<u>AB 94</u>	<u>SB 116</u>	Postsecondary education trailer bill.
<u>AB 100</u>	<u>SB 809</u>	Elections
<u>AB 102</u>	<u>SB 810</u>	Retirement savings.
<u>AB 103</u>	<u>SB 811</u>	Unemployment compensation benefits: COVID-19.
<u>AB 119</u>	<u>SB 119</u>	State employment: State Bargaining Units.

If you would like to receive the Budget Action Bulletin electronically, please e-mail Karen Schmelzer, CSAC Legislative Assistant at kschmelzer@counties.org